

# What is regulation?

On any given day, regulation touches everyone's life in thousands of ways. Even when you are sleeping, regulation is there: governing the quality of the mattress, the flammability of your pyjamas, the operation of the heater / cooler, the design of the smoke alarms, and so on.

People may never notice some forms of statutory regulation in their lifetimes. These people have, however, almost certainly paid the cost of them: in their taxes and in the price of goods and services.

## Not just "rules"

A common misconception is that regulation is just rules that individuals and businesses must obey under the threat of punishment. For example, if you get caught exceeding the speed limit by the Police, you get a fine and points off your licence.

This definitely forms part of what we know as regulation, but it is not the whole picture. In the broadest sense, regulation is about making individuals and businesses change undesirable / detrimental behaviour, beyond the "crime and punishment" model.

## Changing behaviour

This is where regulation crosses over into fields psychology and social science: what motivates people to change their behaviour? Threat of punishment is one method, but it may not be the most effective strategy in all circumstances.

Sometimes, people just need to better understand the consequences of their actions. A great example of this was [NetWaste's "Help Us Help You" program](#) to reduce contamination in recycling collection. Undoubtedly, this is a far more cost-effective regulation strategy than having legions of "bin police" descend on neighbourhoods on garbage day.

In other circumstances, incentives can be very effective. Financial incentives are a particularly powerful strategy to either make the desirable behaviour less expensive, the undesirable behaviour more expensive, or both. For example, the recent Banking Royal Commission identified that insurance commissions paid to brokers were resulting in poor customer outcomes. The solution:

remove the financial incentive for the broker to recommend the products that serves their interests.

## Regulation is not set and forget

The only constant in life is change. People change, government priorities change, business changes, and technology changes. It makes sense then that regulation should change as well to maximise its effectiveness.

Good regulation is a cyclical process consisting of the following steps:

1. Identification of the "problem"
2. Development of the behaviour change strategy
3. Implementation
4. Review of effectiveness
5. Identify recommended changes

Steps 3 to 5 are then repeated until the regulation is no longer required, or a new problem has emerged.

## Impact of politics

Statutory regulation is significantly influenced by politics. The scope and nature of regulation is a point of fundamental difference between "left" and "right" politics:

- Left (or "Big G" government) – generally advocate for greater regulation in everyday life
- Right (or "Little g" government) – generally advocate for less regulation in everyday life

The cyclical process of changing between left leaning and right leaning governments can be difficult to navigate for regulatory agencies, sometimes requiring hard decisions to be made about certain regulatory programs.

## Who can I talk to about my regulatory strategy?

Get in touch with JS Regulatory Services. We love making regulation work best, for everyone.



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